How do you fix a problem? Well, in Washington, there is a sure-fire solution to any crisis: pass reactionary legislation without knowing what is in it to show you really “care” about the problem. Then, claim the problem is solved. Wait until the next crisis. Repeat.

The current crisis is big, overly exposed financial institutions; some of which have taken enough risks that they are now insolvent. Unfortunately, the regulatory reform (a Democratic metaphor for regulatory expansion) being considered by the House and Senate in response to the recent financial crisis will not solve the problem. In fact, it may make them worse by cloaking the real issues with new regulations but without addressing root causes. These misguided political ambitions are especially obvious in H.R. 4173, the Restoring American Financial Stability Act of 2010.

Here are just a few examples of why H.R. 4173 is very effective at expanding government regulation but very ineffective at providing for the substantive reform needed to fix the failure points of our financial institutions:

Contrary to claims made by the Democratic majority:

·   ***H.R. 4173 perpetuates financial bailouts***. In reality, the bill allows the FDIC to bail out selected creditors. To pay off the creditors of a “too big to fail” financial institution, the bill gives the FDIC the authority to borrow an amount equal to the value of the firm being liquidated. For some larger institutions this could amount to *$ 2 trillion (of taxpayer money) per institution*.

This “solution” actually incentivizes failure, as mismanaged institutions have a taxpayer bailout as a safety net. In contrast, House Republicans have pressed to end taxpayer-funded bailouts by creating an enhanced form of bankruptcy for large non-bank financial institutions, forcing participants to plan for the possibility of failure and face stiff consequences for mismanagement.

- ***H.R. 4173 Fails to Address the Biggest Single Cause of the Financial Crisis.*** Mismanagement of Fannie Mae and Freddie Mac were among the root causes of the housing and financial market melt-down, costing American taxpayers more than $145 billion so far. The Congressional Budget Office (CBO) predicts that the cost could reach $380 billion or more if the Obama Administration continues using Fannie and Freddie as a place to store bad loans made by banks. And yet, despite this, H.R. 4173 virtually ignores these problem areas – authorizing only *a study*. Such a study will only delay reform and limit any opportunity for meaningful recovery in the housing market.

- ***H.R. 4173 Increases Government Control.*** This measure empowers the government to seize private firms and to funnel taxpayer funds to “rescue” them. It also creates a “consumer protection” czar whose agency will control consumer credit and financing. In addition, the Democrat’s bill creates an “Office of Financial Research” that is charged with monitoring the financial activities of private citizens while providing taxpayer funded research about consumers to Wall Street. None of these activities have sufficient oversight or accountability.

- ***H.R. 4173 Destroys Jobs and Threatens the Economy.*** Economists have also estimated that H.R. 4173 will reduce new job creation by 4.3 percent because of the way it constricts access to consumer credit, a move that is particularly damaging to small and seasonal businesses.

The short-term political benefits that the Democrats hope to reap from this ill-considered measure will cost U.S. firms in the global marketplace, leaving them unable to create stable jobs for American workers. The American people deserve both a better process and a far better policy outcome from their elected representatives.

In his first State of the Union address President Obama rebuked Republicans for opposing big-spending. He told us that saying “No” may be good politics, but it’s not good leadership. We ll, saying “yes” to bad policy isn’t good leadership either, Mr. President.

The 2000 plus page H.R. 4173 is just one more example of the Democratic majority’s attempts to grow government, not fix problems. Not only does it fail to address the root causes of the financial crisis, it’s bad for the economy, it’s bad for business, it’s bad for jobs, and it’s bad for America.

Originally blogged by Congressman Akin on BigGovernment.com .